

Fiscal Estimate Narratives
DOR 6/13/2005

LRB Number	05-2029/1	Introduction Number	SB-218	Estimate Type	Original
Subject					
Angel investment credit; property assessment notice; inspection contractor audits; withholding for disregarded entities					

Assumptions Used in Arriving at Fiscal Estimate

This bill, introduced at the request of the Department of Revenue (DOR), makes the following changes, none of which are expected to have a significant impact on either tax revenues or administrative expenses:

- (1) Restores a provision in current law that expired at the end of 2004 that allowed an interest abatement for people serving in support of Operation Iraqi Freedom who do not pay their taxes by the April 15 deadline. This bill would extend the provision through tax year 2006.
- (2) Allows nonresidents and part-year residents to claim the angel investment credit without prorating the credit based on their Wisconsin adjusted gross income as a share of their federal adjusted gross income. This provision eliminates a circular reference in the statutes that makes it difficult for the above filers to claim the credit. The provision also eliminates the requirement that the credit be claimed on a tax year basis.
- (3) Specifies that a property owner who wishes to appeal the determination of the Board of Assessors must notify the Commissioner of Assessments of his or her intention to appeal within 15 days from the date that the Board of Assessors issued its determination. This provision provides a clear deadline for the notice of appeal in first class cities and in certain second class cities.
- (4) Eliminates the requirement that DOR audit the records of the contractor that provides vehicle emission inspections in southeastern Wisconsin. DOR does not typically audit the vendors that other state agencies do business with, except in the course of its normal, confidential tax audits.
- (5) Allows an individual who is the sole owner of a business to choose whether the individual or the entity would be considered the "employer" for withholding tax purposes. The IRS allows the owner of LLCs (limited liability companies) that have been disregarded for income tax purposes to elect to have the LLC be considered the employer for withholding tax purposes. Wisconsin law currently does not allow this flexibility, and it creates significant problems for businesses.
- (6) Authorizes DOR to reduce any taxes, costs, penalties, and interest that are due from a taxpayer, regardless of whether the taxes, costs, penalties, and interest are delinquent. Current law allows DOR to compromise on delinquent taxes, but not on taxes that are not delinquent.
- (7) Corrects an outdated reference to the sections of the Internal Revenue Code that relate to a spouse's tax liability for a joint income tax return.
- (8) Allows DOR to grant employers a 30-day extension for filing an annual withholding reconciliation report with DOR.
- (9) Clarifies that a qualified retirement fund for federal income tax purposes is a qualified retirement fund for state income tax purposes.
- (10) Requires a seller who receives any refund of sales or use taxes, or who collects sales or use taxes erroneously, to submit such a refund or taxes to the buyer, or to DOR if the buyer cannot be located, and establishes deadlines and penalties.
- (11) Stipulates that DOR may waive the interest imposed on any additional estate taxes that arise from the discovery of property, if due diligence was exercised in determining the assets.
- (12) Allows delivery of a tax-related document or payment through a delivery service that has been

approved by the Internal Revenue Service for federal tax purposes.

(13) Allows DOR to permit additional methods of paying tax and of signing and filing documents related to alternative fuels and tobacco products taxes. These methods are currently permitted for other taxes.

(14) Provides that a due date for electronically filed returns is extended to April 30, if the federal government extends its due date for electronically filed returns to this date.

(15) Allows a person to appeal to the DOR's Tax Appeals Commission redetermination of an earned income tax credit without paying the \$25 filing fee.

Long-Range Fiscal Implications